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OUTLOOK

FOR THE ECONOMY AND REAL ESTATE

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Outlook For The Economy and Real Estate

After two quarters of below average growth, there is some evidence of a modest rebound. Most of the decline in growth in real economic activity during the first half of 1985 occurred in response to a weakening in consumption and fixed investment and a reduction in inventories. However, if the latest monthly data is an indication of a future trend, economic activity is likely to improve modestly during the last half of the year. According to the August data the interest sensitive industries of housing, auto sales and durable goods have responded strongly to the declines in interest rates. In addition, from June to July, business inventories have been virtually unchanged. These positive forces should push real growth to around 3 percent for the third and fourth quarters.

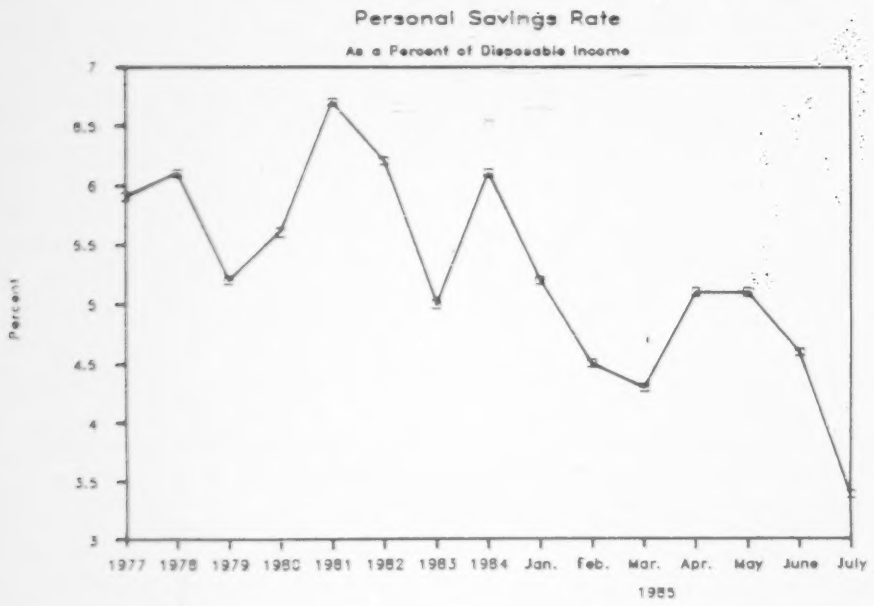
It is interesting to note that the Commerce Department's "flash" GNP estimate of 2.8 percent for the third quarter is not inconsistent with this forecast. In fact since the flash did not include the August increases for housing starts and consumption there is a strong liklihood that this number will be revised upward to around 3 percent.

This rebound may not be sustained. Lower interest rates are encouraging people to go ahead with purchases they otherwise might have delayed until later this year or next. Consequently, the funds needed for the recent spending spree are being borrowed, thus increasing the already massive consumer debt--presently at record levels of 18.6 percent of disposable income. Although the rebound in consumption should push growth in real output to nearly 3 percent for the remainder of the year, by 1986, enormous consumer debt burdens will stifle consumption keeping real output growth below 2 percent for most of 1986.

Because people are consuming more than they are earning, the national savings rate as a percent of disposable income in August declined to an anemic 3.4 percent rate (Figure 1); well below the 8 year average of 6.1 percent. As the pool of savings decline, there are less funds available for investment needed to spur strong and sustainable growth. Demographic trends, as well, are putting downward pressure on savings. Currently, the majority of the population is in the 30 to 45 year old age group--typically the highest debt users with the lowest savings.

The recent decline in the value of the dollar relative to other currency has provided encouraging news to the domestic markets. For the first time since 1979, the trade-weighted value of the dollar is below its year-ago level. This decline has occurred as a result of the recent sluggishness in the U.S. economy and falling U.S. interest rates. Recently, the five major industrial countries--U.S., Japan, West Germany, France, and Britain--have joined forces to further bid down the value of the dollar. This action was taken to circumvent proposed protectionist legislation that is expected in Congress. In response, the value of dollar relative to other currency dropped significantly. The continued depreciation in the value of the dollar through 1985 and 1986 will eventually slow the rate of growth of imports into the U.S. allowing exports to once again regain their share of the market by the end of 1986. However, the intervention by the five industrial countries is likely to have only a modest impact on the dollar in the long-run and more fundamental shifts in the economy are required such as lower interest rates.

Figure 1



Employment and Inflation

The employment figures for August represent a marked improvement over previous months. As nonfarm payroll employment increased 0.3 percent in August, the civilian unemployment rate declined to 7.0 percent. This compares favorably with the 7.3 percent unemployment rate that has prevailed for the last six months. The increase in overall employment in August reflected the recent growth in the interest sensitive industries of housing and automobile sales. In fact, the unemployment rate in the construction industry has declined by over 2 percentage points since last year. In addition, the entire increase in manufacturing employment in August was attributable to auto manufacturing while most other areas of manufacturing employment actually remained unchanged or declined.

The outlook for inflation still remains favorable. The Consumer Price Index advanced only 0.2 percent in August, mainly due to increased costs for housing and home repairs. The Producer Price Index declined in August by 0.2 percent in response to declining energy prices. Prospects for further declines in oil prices should keep prices well in check through 1986 with overall consumer price inflation of 3.1 expected for the entire year.

Despite rapid growth in the money supply, inflation is expected to remain well under control as sluggish growth has kept the capacity utilization rate at 80.5 percent, well below the 83 or 85 percent historically associated with upward pressure on prices. Furthermore, the recent depreciation in the dollar is expected to have very little impact on prices in the near term. By late 1986, however, overall prices could begin to accelerate modestly as the economy begins to pick up steam.

Monetary Policy and Interest Rates

Because the economy continues to experience sluggish growth, the FED has decided to continue to overlook their targets for M1 growth and instead concentrate on enhancing economic growth and stability by avoiding any

intentional run ups in the interest rates. Already the FED's "hands-off" policy on money supply growth has averted a near-term recession by allowing interest rates to fall thus providing a much-needed stimulus to the interest sensitive industries. In addition, the recent declines in the value of the dollar relative to other currency diminishes any liklihood of a credit tightening move by the FED. Subsequently, interest rates are expected to decline modestly through the middle of next year before leveling off. At this juncture, the FED has done all it can to help promote stronger growth. It is now up to Congress to reduce the federal deficit, which is keeping real interest rates (inflation-adjusted) at historical highs, dampening overall investment.

Real Estate Markets

The real estate market has exhibited strong growth in August in response to lower overall interest rates. Housing, especially, is responding favorably to the 1.5 percentage point decline in mortgage rates over the past year which has given many families the affordability break they have been anticipating. Underscoring the improvement in affordability was an increase in the NAR Affordability index to 94.8 percent in August, the highest level since 1979.

Lower interest rates combined with the strong demand for homeownership boosted the seasonally adjusted annual rate of existing single family home sales to 3.43 million units in August--the highest level in nearly six years. August's 9.2 percent increase in the annual home resale rate from the upwardly revised July rate of 3.14 million units was the largest month-to-month increase since January 1983 when a 13.5 percent increase occurred. In addition, the home resale pace in August was up 23.8 percent from the August 1984 pace of 2.77 million units. For all of 1985 3.13 million existing homes are expected to be sold each year. As mortgage interest rates continue to trend downward through 1986, existing home sales should increase to 3.19 million units.

Builders, as well, are becoming more confident about interest rates and the fate of investment incentives as seen in a 6.2 percent increase in total housing starts in August. Most of the increase was attributable to a 15 6 percent increase in multi-family starts reversing the July decline of 12.7 percent. The outlook for housing starts remains favorable as evidenced by a 12.0 percent increase in building permits for single family homes. For all of 1985, 1.82 million houses are expected to be started. By 1986, 1.9 million starts are expected.

The outlook for nonresidential investment remains mixed. As the manufacturing sector remains depressed due to the increased domination of imports, industrial building construction is expected to decline through 1985 and 1986. Office building construction, although advancing during the first half of the year due to grandfathering of depreciation rates of tax "reform" proposals, is expected to respond negatively to the recent run ups in the office vacancy rates. The one bright spot in nonresidential construction will be in stores, shopping centers and warehouses. These areas have benefitted greatly from the recent gains in housing and are expected to experience strong growth through the remainder of 1985 and into 1986 as lower interest rates continue to stimulate housing demand.

Table 1

U.S. ECONOMIC OUTLOOK

	QUARTERS							YEARS				
	Actual		Forecast					Actual		Forecast		
	85:1	85:2	85:3	85:4	86:1	86:2	86:3	86:4	1983	1984	1985	1986	1987
AGGREGATE ECONOMY													
Gross National Product ($ billions)	3,811	3,853	3,910	3,967	4,013	4,058	4,102	4,162	3,305	3,663	3,885	4,084	4,387
Percent Change	5.6	4.5	6.1	5.9	4.8	4.5	4.5	6.0	7.7	10.8	6.1	5.1	7.4
Percent Change (without inflation)	0.3	1.9	3.0	2.2	1.7	1.6	1.5	2.5	3.7	6.8	2.3	2.0	3.5
Consumption	5.2	4.8	4.7	-1.3	1.9	2.0	1.5	1.5	4.8	5.3	3.9	1.8	2.6
Durables	9.2	6.8	16.8	-17.7	1.4	3.1	0.2	0.8	12.1	13.1	7.1	-0.4	3.1
Nondurables	3.7	4.7	0.5	1.6	1.8	1.0	1.1	0.9	3.7	4.6	2.3	1.5	1.8
Services	5.0	4.2	3.6	3.4	2.2	2.3	2.3	2.3	3.4	3.2	4.1	2.8	2.9
Residential Investment	5.5	6.1	3.5	11.0	12.1	5.5	3.4	4.3	41.7	12.2	1.9	7.6	0.0
Nonresidential Investment	-1.5	14.4	2.1	-1.8	-2.2	-2.5	-1.7	1.9	2.5	19.8	6.8	-0.4	4.6
Structures	9.5	9.2	-1.1	-1.3	-3.4	-6.0	-5.9	-2.3	-7.8	15.6	8.4	-2.7	0.9
Equipment	-5.6	16.6	3.5	-2.0	-1.7	-1.1	-0.1	3.6	7.3	21.5	6.2	0.6	5.9
Exports	-8.9	-15.2	0.0	10.6	9.3	10.2	10.7	10.8	-5.6	4.7	-4.0	7.1	9.7
Imports	32.2	-0.7	-0.6	9.7	-2.4	-2.7	-2.9	-3.1	7.6	27.0	7.3	-0.1	0.4
Government Purchases	0.3	3.7	4.8	6.4	-2.2	-2.3	-0.6	0.9	-0.3	3.5	4.6	0.9	2.9
Consumption (% of GNP)	65.5	65.9	66.2	65.6	65.7	65.7	65.7	65.6	65.8	64.8	65.8	65.7	65.1
Residential Investment (% of GNP)	3.6	3.6	3.6	3.7	3.8	3.9	3.9	3.9	3.5	3.7	3.7	3.9	3.7
Nonresidential Investment (% of GNP)	12.8	13.2	13.2	13.0	12.9	12.8	12.7	12.6	11.1	12.5	13.0	12.7	12.9
Structures (% of GNP)	3.7	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.2	3.5	3.7	3.5	3.4
Equipment (% of GNP)	9.1	9.5	9.5	9.4	9.3	9.2	9.2	9.2	7.9	9.0	9.4	9.2	9.5
Inventory Change ($ billions)	40.7	17.9	6.3	24.6	21.3	18.9	14.1	10.5	-13.5	58.2	22.4	16.2	9.9
Mfg. Capacity Utilization Rate (%)	81	80	80	80	79	78	78	78	74	81	80	78	80
Auto Sales (millions of units)	10.8	10.9	12.0	10.5	10.5	10.6	10.5	10.5	9.2	10.4	11.1	10.5	10.7
Domestic (% of total)	78.0	75.5	75.3	69.8	72.7	69.6	68.4	67.0	74.0	76.5	74.7	69.4	65.9
Imported (% of total)	22.0	24.5	24.7	30.2	27.3	30.4	31.6	33.0	26.0	23.5	25.3	30.6	34.1
Manufacturing Industrial Production (% change)	0.7	2.0	2.0	2.0	0.1	-0.6	2.8	4.0	7.8	11.3	2.5	1.3	6.1
Common Market	2.5	0.0	3.1	1.6	2.0	2.3	1.3	2.3	1.0	3.2	2.0	1.9	1.6
Japan	-2.6	12.5	-0.2	2.4	9.1	4.6	3.8	3.4	3.5	11.0	5.2	5.0	2.0
Trade Deficit	121	127	124	134	128	127	123	116	41	102	127	123	103
Value of the U.S. Dollar (Weighted by Trade)	1.350	1.313	1.235	1.179	1.129	1.084	1.046	1.026	1.142	1.224	1.269	1.071	1.022
Percent Change - Year Ago	15.2	10.5	-1.3	-8.1	-16.3	-17.4	-15.3	-12.9	4.0	7.2	3.7	-15.6	-4.6
Employment(millions)(civilian:household basis)	106.7	106.8	107.1	107.6	107.9	108.2	108.5	108.9	100.8	105.0	107.0	108.4	110.4
Percent Change	3.0	0.1	1.4	1.7	1.1	1.4	1.1	1.4	1.3	4.1	1.9	1.2	1.8
Unemployment Rate (%) (civilian)	7.3	7.3	7.2	7.3	7.3	7.4	7.6	7.7	9.6	7.5	7.3	7.5	7.6
Personal Income per Household (average)<1>	40,078	40,384	40,645	41,248	41,756	42,227	42,677	43,176	35,418	38,527	40,589	42,459	45,043
Percent Change -- Year Ago (w/o inflation)	3.5	2.1	1.3	1.1	0.9	1.1	1.4	1.1	1.5	5.4	2.0	1.1	2.2
Personal Taxes per Household (average)	7,740	7,250	7,682	7,815	7,939	8,053	8,164	8,291	6,478	6,956	7,622	8,112	8,685
Percent Change -- Year Ago (w/o inflation)	10.6	1.4	5.7	5.2	-0.5	7.7	3.1	2.9	-3.0	3.5	5.7	3.2	3.1
Percent of Personal Income	20.2	18.8	19.8	19.8	19.9	20.0	20.0	20.1	19.1	18.8	19.7	20.0	20.2
Disposable Income per Household (average)	32,338	33,134	32,963	33,432	33,816	34,174	34,513	34,885	28,938	31,571	32,967	34,347	36,158
Percent Change--Year Ago (w/o inflation)	2.0	2.5	0.6	0.5	1.5	-0.1	1.2	0.8	2.5	5.7	1.4	0.8	2.0
Household Debt (% of total)	23.1	23.6	24.4	24.5	24.5	24.6	24.6	24.5	19.7	21.2	23.9	24.5	23.8
Household Interest Payments (% of total)	10.4	10.5	11.1	11.1	11.0	11.0	10.9	10.3	9.7	10.4	10.8	10.8	10.1
Consumer Price Inflation (CPI)	3.3	4.2	2.2	2.8	3.1	3.3	3.4	3.5	3.2	4.3	3.4	3.1	3.8
Gross National Product Inflation (GNP Deflator)	5.4	2.6	3.0	3.6	3.0	2.9	2.9	3.4	3.8	3.8	3.6	3.1	3.8
Personal Consumption Inflation	3.3	2.9	2.5	3.7	3.3	3.5	3.3	3.7	3.7	3.2	3.0	3.3	3.8
Residential Construction Inflation	-0.6	1.2	2.9	3.1	3.9	4.1	4.1	4.4	1.7	3.9	2.0	3.6	4.7
Nonresidential Construction Inflation	3.4	4.4	3.5	3.7	3.8	4.0	4.0	4.0	-1.0	0.3	2.9	3.8	4.1
Producers Price Inflation (WPI)	-1.8	-0.3	-1.0	1.7	1.2	2.1	1.4	2.4	1.3	2.4	-0.5	1.2	2.7
Compensation per Manhour (% change)	5.0	3.3	1.9	4.1	4.6	4.0	4.2	4.4	4.8	4.2	3.7	3.9	5.2
Productivity (% change)	-3.3	1.1	1.2	0.8	0.7	0.8	0.8	1.6	3.4	2.7	0.2	0.9	1.7
Unit Labor Cost (% change)	8.5	2.2	0.6	3.2	3.9	3.2	3.3	2.8	1.3	1.4	3.5	3.0	3.4
Before Tax Corporate Profits ($ billions)<2>	229	227	218	223	225	227	228	236	213	243	224	229	269
Corporate Tax Liability	92	89	82	84	86	86	86	90	86	98	87	87	108
After Tax Profits	137	137	136	139	139	141	142	146	127	146	137	142	161
Inventory Valuation Adjustment	1	3	2	-7	-10	-12	-12	-14	-11	-6	0	-12	-18
Capital Consumption Adjustment	69	75	79	85	86	84	80	79	33	56	77	82	72
Profits from Current Production (with IVA, CCA)	207	215	217	217	214	213	211	211	149	196	214	212	214
Adjusted for Inflation (85:1 base)	207	214	214	212	208	205	202	200	159	201	212	204	198
Percent Change - Year Ago	7.9	6.2	5.1	2.6	0.4	-3.9	-5.8	-5.7	46.0	26.5	5.4	-3.8	-2.7
Per Unit of Output (% of GNP)	5.4	5.6	5.6	5.5	5.3	5.2	5.1	5.1	4.5	5.3	5.5	5.2	4.9
Effective Corporate Tax Rate (%)<2>	30	28	26	27	28	28	28	29	34	32	28	28	33
Federal Tax Receipts (Unified basis)	696	826	745	685	674	919	759	722	613	683	738	769	839
Percent of GNP	18.3	21.4	19.1	17.3	16.8	22.7	18.5	17.3	18.6	18.7	19.0	18.8	19.1
Federal Expenditures (Unified basis)	919	936	924	990	977	971	946	1,010	803	868	942	976	1,055
Percent of GNP	24.1	24.3	23.6	24.9	24.4	23.9	23.1	24.3	24.3	23.7	24.2	23.9	24.1
Surplus or Deficit (Unified basis)	-223	-110	-179	-305	-303	-52	-188	-288	-190	-184	-204	-208	-216
% of GNP	5.8	2.8	4.6	7.7	7.6	1.3	4.6	6.9	5.8	5.0	5.2	5.1	4.9
% of Personal Savings	187.8	78.7	212.9	270.1	258.8	44.1	157.0	235.5	138.1	117.2	187.4	173.8	152.1
% of Net Domestic Savings	75.3	34.4	68.1	106.3	106.2	18.3	66.6	101.7	80.0	56.5	71.1	73.2	68.6

<1> Includes personal contributions for social insurance.
<2> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Dr. Richard Peach, and Janemarie Mulvey.

Table 2

REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS							YEARS				
	Actual		Forecast					Actual		Forecast		
	85:1	85:2	85:3	85:4	86:1	86:2	86:3	86:4	1983	1984	1985	1986	1987
REAL ESTATE MARKETS													
Total Single-Family Home Sales (thousands)	4,057	4,089	4,390	4,366	4,360	4,375	4,383	4,415	3,750	3,936	4,226	4,383	4,090
(single-family resales and completions)													
Percent Change -- Year Ago	-1.9	0.8	17.9	14.1	7.5	7.0	-0.2	1.1	42.4	5.0	7.4	3.7	-6.7
Existing Single-Family Home Sales (thousands)	2,970	3,047	3,300	3,200	3,174	3,193	3,193	3,202	2,716	2,866	3,129	3,190	2,984
Percent Change - Year Ago	1.9	2.5	19.4	13.8	6.9	4.8	-3.3	0.0	36.5	5.5	9.2	1.9	-6.5
Dollar Volume (billions)	260.8	273.4	301.3	281.4	283.6	289.1	294.7	285.3	224.2	246.6	279.8	288.2	276.8
Existing Home Prices - Median ($1000's)	73.8	75.2	76.9	74.6	76.4	77.9	79.8	77.3	69.8	72.3	75.1	77.9	81.0
Percent Change - Year Ago	3.6	3.4	5.1	3.7	3.5	3.6	3.8	3.6	3.2	3.5	3.9	3.6	4.0
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	657	654	633	610	620	622	622	584	628	680	638	612	650
Percent of Median Family Income	30	29	28	27	27	27	27	25	32	32	29	26	26
Private Housing Starts (thousands)	1,795	1,772	1,801	1,913	1,877	1,881	1,903	1,940	1,703	1,766	1,820	1,900	1,790
Percent Change - Year Ago	-7.8	-4.6	8.3	19.7	4.5	6.2	5.6	1.4	61.0	3.8	3.0	4.4	-5.8
Single-Family	1,121	1,075	1,123	1,202	1,223	1,218	1,228	1,251	1,066	1,103	1,130	1,230	1,140
Percent of Total	62.5	60.7	62.4	62.8	65.2	64.8	64.5	64.5	62.6	62.4	62.1	64.7	63.7
Multi-Family	674	697	678	711	654	663	675	689	637	664	690	670	650
Percent of Total	37.5	39.3	37.6	37.2	34.8	35.2	35.5	35.5	37.4	37.6	37.9	35.3	36.3
Mobile Home Shipments	277	281	293	293	285	285	285	286	296	295	286	285	278
New Single-Family Home Sales (thousands)	669	674	718	705	678	681	685	695	629	637	692	685	642
Percent Change - Year Ago	-2.0	6.5	16.9	14.2	1.3	1.0	-4.5	-1.4	50.3	1.3	8.6	-1.0	-6.2
New Home Prices - Median ($1000's)	82.9	83.7	84.7	85.5	86.6	87.9	89.4	91.1	75.5	80.0	84.2	88.8	93.7
Percent Change - Year Ago	6.4	4.0	4.2	6.4	4.5	5.0	5.5	6.5	8.9	6.0	5.2	5.4	5.6
New Home Prices--Mean ($1000's, Quality Adjusted)	95.2	95.6	96.1	96.8	97.8	98.9	99.8	100.8	89.7	93.7	95.9	99.3	104.0
Percent Change - Year Ago	4.6	2.4	1.1	1.6	2.8	3.5	3.8	4.1	2.1	4.5	2.4	3.6	4.7
NAR Affordability Index	88.4	90.6	92.7	93.2	95.2	95.5	94.9	101.4	82.0	86.2	91.7	96.7	98.3
Mortgage Debt Outstanding ($ billions)	2,071	2,136	2,258	2,345	2,395	2,468	2,525	2,595	1,755	,952	2,202	2,496	2,755
Homeowners' Equity ($ billions)	2,239	2,236	2,254	2,274	2,298	2,324	2,350	2,379	2,219	2,238	2,251	2,338	2,477
Housing Inventory (millions)	95.3	95.7	96.1	96.5	97.0	97.4	97.8	98.2	92.7	94.4	95.9	97.6	99.3
Rental Vacancy Rate (%)	6.3	6.2	6.0	5.9	5.8	5.7	5.8	5.8	5.6	5.9	6.1	5.8	5.9
Office Vacancy Rate (%)<1>	15.4	16.1	15.3	15.0	14.5	14.3	14.1	14.0	11.7	13.9	15.5	14.2	13.6
Industrial Vacancy Rate (%)<1>	4.0	4.9	4.5	4.5	4.3	4.2	4.0	3.9	4.9	4.7	4.5	4.1	3.5
New Commercial Building Construction (% Ch Value)	52.6	5.8	3.8	-4.9	-6.9	-0.5	-9.8	1.5	-4.2	33.7	24.8	-3.2	3.4
New Industrial Building Construction (% Ch Value)	21.6	32.3	-4.1	-5.9	-1.4	-1.9	4.8	12.0	-25.7	5.9	16.0	0.6	14.2
FINANCIAL MARKETS													
Money Supply													
M1 (% change)(FED Target 4-7%)	10.9	10.6	16.3	8.0	6.7	6.4	5.8	5.2	11.2	6.9	8.8	8.0	5.4
M1 Velocity (% change)	-4.8	-5.5	-8.8	-1.9	-1.9	-1.8	-1.3	0.7	-3.2	3.7	-2.5	-2.8	1.9
M2 (% change)(FED Target 6-9%)	12.6	5.4	10.4	7.2	6.3	6.5	7.9	7.4	12.5	7.9	9.0	7.2	7.1
M2 Velocity (% change)	-6.2	-0.8	-3.9	-1.2	-1.5	-1.9	-3.2	-1.3	-4.4	2.7	-2.6	-2.0	0.3
Monetary Base (% change)	6.6	9.6	9.5	4.8	7.8	5.9	6.5	5.3	9.5	8.1	7.2	6.9	5.5
Flow of Funds (NIA Basis)													
Sources (total:gross savings)	672	660	627	658	668	684	690	697	478	653	654	685	724
Private													
Personal Savings	119	139	84	113	117	117	120	122	118	156	114	119	142
Savings Rate	4.5	5.1	3.1	4.1	4.2	4.1	4.2	4.2	5.0	6.1	4.2	4.2	4.6
Gross Business Savings	544	557	565	570	572	578	583	588	454	519	559	580	609
Government													
Federal	-165	-214	-195	-204	-194	-184	-181	-176	-179	-176	-194	-184	-189
State and Local	54	50	48	45	44	45	46	46	44	53	49	45	59
Foreign (current account deficit)	121	127	124	134	128	127	123	116	41	102	127	123	103
Uses (total:gross investment)	647	643	639	664	668	670	671	677	472	638	648	672	712
Nonresidential Investment													
Equipment	288	299	303	303	304	306	309	314	223	275	298	308	339
Structures	163	168	169	170	170	169	169	169	130	150	168	169	178
Residential Investment	155	158	160	166	172	176	180	183	132	154	160	178	186
Inventory Investment	41	18	6	25	21	19	14	10	-13	58	22	16	10
Selected Interest Rates (Percent)													
Mortgage Commitment Rates													
30 Year,Fixed-Rate	13.7	13.4	12.6	12.5	12.4	12.2	11.9	11.5	13.8	14.5	13.0	12.0	12.3
Real Mortgage Rate (30 yr. avg. is 4.5%)	8.3	10.8	9.6	8.9	9.4	9.3	9.0	8.1	10.1	10.9	9.4	8.9	7.9
1 Year ARM (without buy-down)	11.1	10.2	9.7	9.8	9.6	9.3	9.3	9.3	11.3	12.6	10.2	9.4	10.0
Real Mortgage Rate	5.7	7.6	6.7	6.1	6.6	6.3	6.4	5.9	7.5	9.0	6.5	6.3	5.6
Corporate Bond Rate (AAA)	12.3	11.6	10.9	10.7	10.7	10.5	10.3	9.9	12.0	12.7	11.4	10.3	10.6
Government Bond Rate	11.8	11.1	10.6	10.3	10.0	9.6	9.4	9.1	11.3	12.5	11.0	9.5	10.0
Real Government Bond Rate (30 yr. avg. is 2.1%)	6.4	8.5	7.6	6.7	7.0	6.7	6.5	5.7	7.6	8.9	7.3	6.5	5.6
Federal Funds Rate	8.5	7.9	7.8	7.7	7.3	7.0	6.7	6.6	9.1	10.2	8.0	7.0	7.7
3 Month Treasury Bill Rate	8.2	7.5	7.1	7.0	6.8	6.5	6.5	6.5	8.6	9.5	7.4	6.6	7.3
Real 3 Month T-Bill Rate (30 yr. avg is 1.2%)	2.8	4.9	4.1	3.4	3.8	3.7	3.6	3.1	4.8	5.9	3.8	3.5	2.9
1 Year Treasury Bill Rate	9.4	8.5	8.0	8.1	7.9	7.6	7.6	7.6	9.6	10.9	8.5	7.7	8.3
Real 1 Year T-Bill Rate (30 yr. avg is 1.7%)	4.0	5.9	5.0	4.4	4.9	4.8	4.7	4.2	5.8	7.3	4.8	4.6	3.9
Commercial Paper Rate	8.5	7.9	7.7	7.7	7.3	7.0	6.8	6.9	8.9	10.1	7.9	7.0	7.8
Rate on Money Market Fund Shares	8.6	7.9	7.7	7.8	7.4	7.1	6.9	7.0	9.0	10.3	8.0	7.1	7.9
Prime Rate	10.5	10.2	9.5	9.4	9.3	9.0	8.8	8.6	10.8	12.0	9.9	8.9	9.7

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Dr. Richard Peach and Janemarie Mulvey